Supreme Court, U.S.
FILED
94 666 OCT 12 1994
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No. 94-___

In The

Supreme Court of the United States

October Term, 1994

INTERNATIONAL RECTIFIER CORPORATION,

Cross-Petitioner,

v.

SGS-THOMSON MICROELECTRONICS, INC.,

Cross-Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

CROSS-PETITION FOR WRIT OF CERTIORARI

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October 11, 1994

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QUESTIONS PRESENTED

1. Whether a California-based company has sufficient contacts with Texas to support specific jurisdiction there, when that company has no offices, agents or employees in Texas and *all* of the alleged infringing acts and injuries occurred in California.

2. Whether the Federal Circuit lacked jurisdiction to hear the appeal below by virtue of the then-applicable language of Rule 4(a)(4) of the Federal Rules of Appellate Procedure (which provided that any notice of appeal filed before a district court's ruling on a motion under, *inter alia*, Rule 59(e) of the Federal Rules of Civil Procedure "shall be of no effect"), when the only relevant notice of appeal was filed *before* the district court below ruled on a motion under Rule 59(e) to alter or amend the judgment.

LIST OF PARTIES AND AFFILIATES

Pursuant to Supreme Court Rule 29.1, there are no parent companies or non-wholly owned subsidiaries of the cross-petitioner, International Rectifier Corporation.

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On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

CROSS-PETITION FOR WRIT OF CERTIORARI

Respondent International Rectifier Corporation ("IR") hereby cross-petitions for a writ of certiorari on two separate grounds, one dependent upon the original petition of SGS-Thomson Microelectronics, Inc. ("SGS-Thomson") being granted over IR's opposition and the other independent of this Court's treatment of SGS-Thomson's petition.

First, should the Court grant SGS-Thomson's petition, IR will ask the Court to review the Federal Circuit's decision reversing the district court's ruling that IR was not subject to personal jurisdiction in Texas.

Second, IR asks that the Court review the Federal Circuit's conclusion that it had appellate jurisdiction over the judgment of the district court. IR submits that, under the plain language of Rule 4(a)(4) of the Federal Rules of Appellate Procedure, the Federal Circuit did not have jurisdiction to do so, because SGS-Thomson's notice of appeal was filed *before* the disposition of IR's post-judgment motion under Federal Rule of Civil Procedure 59(e).

OPINIONS BELOW

The opinions below are attached as the appendix to SGS-Thomson's original petition. A telling omission from SGS-Thomson's description of the Texas district court's opinion and order on jurisdiction and venue is the district court's factual finding quoted below, which directly contradicts SGS-Thomson's assertion that IR made infringing sales in Texas:

> "Defendant's sales to customers in Texas are made by independent distributors and independent manufacturer's representatives. All sales contracts are subject to written acceptance by defendant [IR] at its offices in El Segundo, California, and all sales are complete, and title passes to the purchaser upon delivery of the products sold to a carrier F.O.B. defendant's plant in California."

(Revised Memorandum and Order, filed Nov. 12, 1991; Pet. App. 21a, at 25a.[1]) Accordingly, the Federal Circuit, in denying SGS-Thomson's earlier request for mandamus relief from the Texas district court's order transferring venue, recognized that "the District Court determined that sales by IR were completed in California, not Texas." (Pet. App. 28a.)

After SGS-Thomson filed its petition, the Federal Circuit issued, on September 14, 1994, a Supplement to Concurring Opinion, attached as part of the Appendix to this Cross-Petition at A7. In that supplement, the concurring justice takes exception to the errata sheet amending the majority opinion (Pet. App. 105a, 106a) – errata issued over the concurring justice's objection (Cross-Pet. App. A7) – deleting all references to 35 U.S.C. section 271(g) in favor of section 271(a). Because section 271(g) was enacted to extend infringement liability to a sale of a product made by a patented process, which by itself does not constitute infringement under section 271(a), and this case involves a process patent and debate over the locus of infringing sales, the concurring justice opined that the change of citation to section 271(a) "was unnecessary and possibly confusing." (Supplement to Concurring Opinion at 4, Cross-Pet. App. A9.)

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[1] References to Pet. App. ___a are to the Appendix to the original petition, as permitted by this Court's Rule 12, while references to the Appendix to this Cross-Petition will take the form Cross-Pet. App. A___.

JURISDICTION

The Federal Circuit lacked jurisdiction over the appeal of SGS-Thomson (which was pursued pursuant to a notice of appeal filed May 14, 1993 and amended on May 19, 1993), because these filings were *before* the disposition of IR's motion under Federal Rule of Civil Procedure 59(e) to amend the judgment, which was filed on May 17, 1993.[2] The district court's order granting the motion was entered on August 9, 1993.[3]

Federal Rule of Appellate Procedure 4(a)(4), as it then existed, provided that a notice of appeal filed before the disposition of a motion under Rule 59(e) to amend the judgment, among other motions, "shall be of no effect" and that a "new notice of appeal must be filed." Since SGS-Thomson did not subsequently appeal the district court's summary judgment rulings, the Federal Circuit could not have obtained appellate jurisdiction to review those rulings. SGS-Thomson's failing also deprives this Court of jurisdiction to pass on the questions raised in the petition, as this Court's jurisdiction is derivative of that of the Federal Circuit.

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[2] IR's motion sought an order declaring the case to be "exceptional" under 35 U.S.C. § 285 and for an award of attorneys' fees and expenses.

[3] The Federal Circuit erroneously stated that the motion was *not* brought as a Rule 59(e) motion, but was only so characterized by IR on appeal. (Pet. App. 7a & n.2.) In fact, as the May 17, 1993 notice of motion conclusively demonstrates, this motion was expressly brought under Rule 59(e).

RULES AND STATUTORY PROVISIONS

35 U.S.C. § 271(a) provides:

> Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

35 U.S.C. § 271(b) provides:

> Whoever actively induces infringement of a patent shall be liable as an infringer.

35 U.S.C. § 271(g) provides:

> Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after –
>
> (1) it is materially changed by subsequent processes; or
>
> (2) it becomes a trivial and nonessential component of another product.

Fed. R. Civ. Proc. 59(e) provides:

> Motion to alter or amend a judgment. A motion to alter or amend a judgment shall be served not later than ten days after entry of the judgment.

Fed. R. App. Proc. 4(a)(4) (before amendment in December 1993), provided in relevant part:

> Rule 4. Appeal as of Right – When Taken
>
> (a) Appeal in Civil Cases.
>
> (4) If a timely motion under the Federal Rules of Civil Procedure is filed in the district court by any party: . . . (iii) under Rule 59 to alter or amend the judgment . . . , the time for appeal for all parties shall run from the entry of the order denying a new trial or granting or denying any other such motion. A notice of appeal filed before the disposition of any of the above motions shall have no effect. A new notice of appeal must be filed within the prescribed time measured from the entry of the order disposing of the motion as provided above. . . .

STATEMENT OF THE CASE

A few weeks after the settlement and dismissal of a patent infringement action IR brought against SGS-Thomson in the United States District Court for the Central District of California, SGS-Thomson filed this action as a "counter-attack" (*see* Pet. App. 90a) against IR in the Northern District of Texas. SGS-Thomson alleged that IR was infringing one of SGS-Thomson's patents covering the process allegedly used by IR in its manufacturing operations. (Complaint and Jury Demand 8-12, Cross-Pet. App. A2-A4.) The complaint alleges

only direct infringement by IR's manufacture and sales (as defined in 35 U.S.C. §§ 271(a) & (g)). No claim for inducement of infringing sales (as defined in 35 U.S.C. § 271(b)), in Texas or anywhere else, is alleged in the complaint. (*Id.*[4])

IR's manufacturing facilities are in California, not Texas, and the Texas district court found, as quoted above, that IR consummated no sales in Texas. On the evidence before it, that court found that

- IR does not have in Texas "an office, any manufacturing facilities, any research facilities, a warehouse, any employees, a regular or established place of business, any officers or directors, any real estate interests, or a bank account." (Pet. App. 25a.)
- IR manufactures in the Central District of California the products accused by SGS-Thomson of infringing SGS-Thomson's process patent. (Pet. App. 24a.)
- *All* sales of IR products in Texas were made by independent distributors and independent manufacturers' representatives who resold products originally purchased from IR in California. (Pet. App. 25a.)

The Texas district court concluded based on those facts that IR lacked contacts with Texas sufficient for either general or specific jurisdiction. Rather than dismiss the case, however, the court transferred the action to the

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[4] Paragraph 4 of the complaint does allude without further elaboration to "induced acts of infringement which have occurred in" the Northern District of Texas. (Cross-Pet. App. A2.) That allegation is, however, insufficient to state a claim for inducement to infringe under section 271(b), and the charging allegations of the complaint (¶¶ 8-12) allege no claim based on purported induced sales. (*Id.* at A2-A4.)

Central District of California, where jurisdiction and venue were admittedly proper.

Shortly after the transfer, SGS-Thomson amended its complaint to allege IR's infringement of two additional patents. The District Court for the Central District of California entered summary judgment against SGS-Thomson on all three patents by two separate orders in February and March 1993. (Pet. App. 34a & 45a.)

Judgment was entered in the district court on May 10, 1993. SGS-Thomson filed a notice of appeal from that judgment on May 14, 1993 (which it amended on May 19). In the meantime, however, IR filed a motion under Rule 59(e) of the Federal Rules of Civil Procedure to alter or amend the judgment to include a finding that the case was an "exceptional" one under Section 285 of the Patent Act, 35 U.S.C. § 285. The district court entered, on August 9, 1993, a post-judgment order finding the case to be an exceptional one and awarding IR its attorneys' fees and expenses, but did not amend the judgment as IR had requested. (Pet. App. 86a.) SGS-Thomson filed a notice of appeal from that post-judgment motion, but (for tactical reasons not now important) decided not to file a new notice of appeal from the underlying judgment even though it was aware of IR's jurisdictional objection to the previously filed notice of appeal.

REASONS FOR GRANTING THE CROSS-PETITION

I. THE FEDERAL CIRCUIT'S RULE THAT SPECIFIC JURISDICTION EXISTS *WHENEVER* THE "STREAM-OF-COMMERCE" BRINGS AN INFRINGING PRODUCT INTO THE FORUM STATE – EVEN IN THE ABSENCE OF ANY ALLEGED INJURY IN THE FORUM STATE – VIOLATES DUE PROCESS AND CONFLICTS WITH THE RULINGS OF THIS AND OTHER COURTS.

SGS-Thomson did not challenge the Texas district court's finding that it lacked general personal jurisdiction over IR, which has no offices, agents or employees in Texas. The Federal Circuit nevertheless ruled below that IR's sales in California (to independent distributors who resell those products nationwide, including in Texas) are *alone* sufficient to require a finding of limited or "specific" jurisdiction in Texas, despite the fact that any infringement (whether by IR's manufacture or sale of infringing products) occurred *only* in California. That ruling violates the fairness required by due process and conflicts with the decisions of this and other courts.[5]

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[5] The Federal Circuit, as did the Texas district court, concluded that, because the Texas long-arm statute has been construed to extend to the limits of due process, "the sole inquiry here is whether due process requirements are met." (Pet. App. 3a; Pet. App. 23a.) *See Bullion v. Gillespie*, 895 F.2d 213, 215-16 (5th Cir. 1990). Each court relied (as did the *Bullion* court) on Texas cases addressing only the portion of the Texas long-arm statute dealing with the concept of generically "doing business" in Texas (intended to apply in contract cases), rather than the portion specifically extending jurisdiction to the commission of a tort "in whole or in part" within the state. *Compare Kawasaki Steel Corp. v. Middleton*, 699 S.W.2d 199, 200 (Tex. 1985) (cited in *Bullion*), and *Jetco Elec. Indus. v. Gardiner*, 473 F.2d 1228, 1232 (5th Cir. 1973).

A. The Rule Adopted By The Federal Circuit Nullifies The Due-Process Jurisprudence Developed By This And Other Courts After *International Shoe.*

This Court long ago ruled that any constitutional analysis of *in personam* jurisdiction must be sensitive to the requirement imposed by the due process clauses that personal jurisdiction must "not offend 'traditional notions of fair play and substantial justice.' " *International Shoe Co. v. Washington,* 326 U.S. 310, 316 (1945). A wealth of case law has been developed since that seminal case defining the contours of those "traditional notions" in our country's ever-expanding network of commercial activity. *See, e.g., World-Wide Volkswagen Corp v. Woodson,* 444 U.S. 286, 297 (1980); *Hanson v. Denckla,* 357 U.S. 235, 253 (1958).

The rule applied by the Federal Circuit in this case would nullify that carefully developed body of constitutional principles and case law. The Federal Circuit here has held quite simply that *whenever* an infringing product is introduced into the stream of commerce, the alleged infringer is subject to an *in personam* judgment in *any* district in the United States. (Pet. App. 5a-6a ("IR entered its products into an unrestricted stream of commerce . . . ").[6]) Moreover, if the

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[6] Were there any doubt that the Federal Circuit means to apply this rule generally, it was dispelled by its recent decision in *North Am. Philips Corp. v. American Vending Sales, Inc.*, slip op. Case No. 94-1146 (Fed. Cir. Sept. 22, 1994), at 10 ("surely the reasonable market participant in the modern commercial world has to expect to be haled into the courts" of any state into which its products were imported after being "voluntarily placed" in the "stream of commerce").

alleged infringer is a corporation, then venue is also appropriate in *any* district.[7]

Heretofore, a nonresident defendant was entitled to structure its affairs in a manner calculated to avoid being haled into court in a particular state. *See World-Wide Volkswagen*, 444 U.S. at 297; *Bearry v. Beech Aircraft Corp.*, 818 F.2d 370, 375-76 (5th Cir. 1987); *Stuart v. Spademan*, 772 F.2d 1185, 1190 (5th Cir. 1985). IR did just that in selling through a network of independent distributors, as the district court found.[8] The Federal Circuit, however,

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[7] The Federal Circuit has interpreted the patent venue statutes, 28 U.S.C. §§ 1391, 1400(b), to allow venue in any judicial district in which a corporate defendant is subject to personal jurisdiction at the time a patent infringement action is commenced. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991). Thus, the personal jurisdiction and venue issues coalesce.

[8] The Federal Circuit dismissed the relevance of the consummation of all IR sales in California by simply citing a footnote from one pre-*Asahi* Fifth Circuit decision in a products liability case, *Oswalt v. Scripto*, 616 F.2d 191, 197 n.8 (5th Cir. 1980) ("[J]urisdiction does not depend on the technicalities of when title passes. A manufacturer can be subjected to in personam jurisdiction as a result of a distribution system employing wholly independent wholesalers as well as one employing its own corporate apparatus."), and this Court's decision in *International Shoe Co. v. Washington*, 326 U.S. 310, 314 (1945).

This Court, however, had nothing to say about the situs of patent infringement in *International Shoe*, and the choice by the court below not to acknowledge contrary authority does not change the fact that it, and perhaps the Fifth Circuit panel in *Oswalt*, are in conflict with other circuit and district courts upholding the consummated sales doctrine, and the certainty in the law that doctrine fosters.

has effectively eviscerated this line of authority, observing simply that "for jurisdictional purposes, the technical location of IR's sales transactions is not relevant." (Pet. App. 4a n.1.)

In the Federal Circuit's view, a corporation who places its goods in the "stream of commerce" is properly subject to a patent infringement suit **anywhere** in the United States. If the due process clauses were that easily applied, there would have been no need to decide delicate questions like those presented in *World-Wide Volkswagen* and *Asahi Metal Indus. v. Superior Court*, 480 U.S. 102 (1987). The Federal Circuit's new and unfair rule should be reviewed and corrected.

B. All Of The Events Relevant To The Jurisdictional Analysis Were Completed In California.

This Court has ruled that, in the absence of general jurisdiction, due process requires that the plaintiff's claims arise out of the defendant's alleged contacts with the forum. *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414-16 (1984). Otherwise, the purported contacts are simply not relevant to establish jurisdiction. *See MAGICorp. v. Kinetic Presentation, Inc.*, 718 F. Supp. 334, 338, 342 & 345-46 (D.N.J. 1989) (no subsequent sales by customers can establish act of direct infringement).

The Federal Circuit here improperly relied on contacts divorced from plaintiff's claims to find specific jurisdiction. More specifically, although *all* of the alleged actionable conduct and injuries accrued exclusively in California, the Federal Circuit found "purposeful activities" in Texas by looking to the activities of independent

distributors – activities legally irrelevant to plaintiff's claims.

Patent infringement is a statutory claim akin to a tort. *Carbice Corp. v. American Patents Dev. Corp.*, 283 U.S. 27, 33 (1931); *see North Am. Phillips*, slip op., Case No. 94-1146, *supra*, at 5-6; *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1569 & n.25 (Fed. Cir. 1994).[9] The rule in patent cases is that the situs of patent infringement injury for jurisdictional purposes is "the place where the infringing sales are made" rather than the situs of the intangible property interest (such as the patent owner's residence). *Beverly Hills Fan*, 21 F.3d at 1571; *see* David Wille, Note, *Personal Jurisdiction Over Aliens in Patent Infringement Actions: A Uniform Approach Toward the Situs of the Tort*, 90 Mich. L. Rev. 658 (1991) (collecting cases). *Beverly Hills Fan* confirms that any direct infringement tort injury caused by IR's sales of allegedly infringing

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[9] Direct infringement occurs when someone other than the patent holder "makes, uses or sells any patented invention, within the United States . . . . " 15 U.S.C. § 271(a) (1988). For a process patent such as that asserted here, direct infringement requires either the *use* (under § 271(a)) of the claimed process or the *sale* (under § 271(g)) of products made by the claimed process. In either case, direct infringement must be distinguished from "inducing infringement" under § 271(b), which instead requires "actively and knowingly aiding and abetting *another's* direct infringement of a patent." 4 Donald S. Chisum, *Patents* § 17.04 at 17-69 (1994). A majority of courts have held that a direct infringer cannot at the same time be liable for inducement of a subsequent sale or use. *See, e.g., Self v. Fisher Controls Co.*, 566 F.2d 62 (9th Cir. 1977); *Picker Int'l, Inc. v. Varian Assoc.*, 661 F. Supp. 347, 350 (N.D. Ohio 1987); *Chisum, supra*, § 21.02[2][e](iv) (noting a split in the decisions).

products occurred the moment IR made its sales *in California*, regardless of whether those products were bound for resale in Texas:

> "Economic loss occurs to the patent holder at the place where the infringing sale is made because the patent owner loses business there. This loss is immediate when the patent holder is marketing a competing product. . . . Furthermore, analysis of long-arm jurisdiction has its focus on the conduct of the defendant. Plaintiff's contacts with the forum – such as where the plaintiff resides – as a general proposition are not considered a determinative consideration."

Beverly Hills Fan, 21 F.3d at 1571 (*citing Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 779-80 (1984); *Rush v. Savchuk*, 444 U.S. 320, 332-33 (1980)). Thus, the acts of which SGS-Thomson complains – as well as any injury attributable to those acts – were complete and actionable upon IR's alleged use of the patented process or upon the consummation of IR's sales of the resulting products – events that indisputably occurred wholly in California, not Texas.

Under this Court's rule in *Helicopteros Nacionales*, the contacts for purposes of determining specific jurisdiction must arise from those alleged activities and injuries. 466 U.S. at 414-16. As noted, *none* of those acts were in Texas, and *all* of them were in California. SGS-Thomson did not assert any claims based on any sales or resales in Texas. (Cross-Pet. App. A2-A4.) Accordingly, under the rule of *Helicopteros Nacionales*, the activities of the independent distributors in reselling goods in Texas cannot enter into the minimum contacts calculus, and the Federal Circuit's

reliance on such legally irrelevant activities violates the minimum degree of fairness guaranteed by due process.

C. The Federal Circuit's Use Of The "Stream-Of-Commerce" Analysis Is In Conflict With The Decisional Law Of Other Courts.

The court below relied on the "stream-of-commerce" theory of minimum contacts developed by this Court to determine jurisdiction in cases of tort liability for defective products. *See Asahi,* 480 U.S. 102. This was error.

First, the Federal Circuit, which relied only on an unpublished memorandum opinion from the Northern District of Illinois and its own opinion in *Beverly Hills Fan* for the proposition that the stream-of-commerce analysis applies with equal force in infringement cases (Pet. App. 6a), has put itself into a conflict with other courts dealing with claims of patent infringement. These courts have reasoned that the stream-of-commerce theory is inapplicable to patent infringement cases. *Max Daetwyler Corp. v. R. Meyer,* 762 F.2d 290, 298-99 & n.12 (3d Cir.), *cert. denied,* 474 U.S. 980 (1985); *Narco Avionics, Inc. v. Sportsman's Market, Inc.,* 792 F. Supp. 398, 403-04 (E.D. Pa. 1992).[10]

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[10] This rationale also rejects the long-standing rule known as the "consummated sales doctrine," which holds that, for purposes of determining jurisdiction and venue, a potentially infringing sale is deemed to take place in the forum where title passes, even if the goods are intended to be resold in another venue. *Self,* 556 F.2d at 64; *Medical Designs Inc. v. Orthopedic Technology Inc.,* 684 F. Supp. 445, 447-48 (N.D. Tex. 1988); *see also W.S. Tyler Co. v. Ludlow-Saylor Wire Co.,* 236 U.S. 723 (1915) (containing this Court's alternative holding from which the doctrine is derived); 6 Donald S. Chisum, *Patents*

Moreover, the nature of the respective torts involved demonstrates the inaptness of the Federal Circuit's reliance on stream-of-commerce cases, which have historically arisen when a product, long after it is sold, proves to be defective and causes a personal injury in the forum state. These cases properly consider the localized injury caused in the forum state resulting from a defendant having directed its product to that forum. *See World-Wide Volkswagen*, 444 U.S. at 297; *Max Daetwyler*, 762 F.2d at 299. The peculiarity of the product liability cases is the delay between manufacture or sale of the product and the failure causing injury – frequently personal injury to an individual consumer. Patent-infringing sales, in contrast, effect pecuniary injury *only* at the time the claimed process is used or the sale of the claimed product is made. *Beverly Hills Fan*, 21 F.3d at 1571. That the infringing item is later placed into a "stream of commerce" is at best only secondarily related to the immediately actionable sale to which alleged forum contacts must relate.

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§ 21.02[2][e][i] (1994) (collecting cases); *see also MAGICorp. v. Kinetic Presentations, Inc.*, 718 F. Supp. 334, 342 (D.N.J. 1989) ("the *defendant's* acts [ ] must provide the basis for venue on a use claim[;] . . . the plaintiff cannot rely upon the location of the defendant's customers as a basis for determining where defendant's own acts of infringement took place."). Even the one circuit that has explicitly departed from the doctrine nonetheless refuses to find infringing sales to have occurred in a forum where the defendant has done no more than advertise and solicit orders to be accepted outside the district, unaccompanied by physical demonstrations of the product or other similar in-state activities by the defendant. *See Amperex Elec. Corp v. Perry*, 168 U.S.P.Q. 615 (7th Cir. 1970); *Chisum, supra*, at 21-141-42 & n.83.

In any event, even in the product liability actions giving rise to the doctrine, "the mere placement of a product into the stream of commerce is not an act purposely directed towards the forum state," sufficient by itself to support jurisdiction. *Plastic Films, Inc. v. Poly Pak America, Inc.*, 764 F. Supp. 1238, 1240 (W.D. Mich. 1991); *see Asahi*, 480 U.S. at 110-12 ("a defendant's awareness that the stream of commerce may *or will* sweep the product into the forum state does not convert the mere act of placing the product into the stream into an act purposely directed toward the forum state."); *World-Wide Volkswagen*, 444 U.S. at 297-98.

The policy considerations that render it fair for a manufacturer of a defective product to be called upon to answer in a state where its product caused personal injuries are not present in the ordinary infringement action. *Max Daetwyler*, 762 F.2d at 298-99. Moreover, as the *Max Daetwyler* court explained: "Where, as here, plaintiff is also a multi-state actor and where, unlike a products liability case, there is no showing of particularly localized harm, it is questionable whether the same tolerance for broad jurisdiction is reasonable. Presumably, [plaintiff] would suffer no undue inconvenience if required to seek a forum in which [defendant] is traditionally amenable to suit . . . . " 762 F.2d at 299 n.12; *accord Applied Biosystems, Inc. v. Cruachem, Ltd.*, 772 F. Supp. 1458, 1471 (D. Del. 1991) (following *Daetwyler* and rejecting proposition that the act of sending allegedly infringing products into the forum constituted sufficient minimum contacts under the due process clause).

Accordingly, the reliance of the court below on product liability cases to support stream-of-commerce jurisdiction here is in conflict with the decisions of this and other courts and is violative in this case of the fairness required by due process.

II. THE FEDERAL CIRCUIT DID NOT HAVE JURISDICTION OVER SGS-THOMSON'S APPEAL.

At the time SGS-Thomson filed its notice of appeal, Federal Rule of Appellate Procedure 4(a)(4) provided that a notice of appeal filed after the entry of judgment but *before* the disposition of a motion to amend or alter the judgment under Federal Rule of Civil Procedure 59(e), among other motions, "shall be of no effect" and that a "new notice of appeal must be filed." It is undisputed that SGS-Thomson's notice of appeal was filed *before* IR's post-judgment motion under Rule 59(e) was decided. The Federal Circuit nevertheless ruled, erroneously, that it had jurisdiction to entertain SGS-Thomson's appeal.

This Court has, through several decisions, spelled out for litigants and appellate courts when a post-judgment motion suspends the time to file a notice of appeal under Rule 4(a)(4) and when it does not. No doubt this is because of the potentially harsh result of non-compliance with Rule 4(a)(4), *see, e.g., Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 61 (1982), and the fundamental importance of appellate jurisdiction rules to our jurisprudence.

In *Osterneck v. Ernst & Whinney*, 489 U.S. 169 (1989), for example, this Court explained that "the general framework for determining whether a postjudgment

motion constitutes a Rule 59(e) motion to alter or amend the judgment" (and thus whether the time to file a notice of appeal is extended) depends on whether the motion "involves 'reconsideration' of matters properly encompassed in a decision on the merits.' " *Id.* at 174.

The Federal Circuit entirely ignored *Osterneck* and the framework it established, despite the fact that IR cited it as the basis for IR's objection to the Federal Circuit's appellate jurisdiction. Because of the fundamental importance of rules governing appellate jurisdiction, and because the Federal Circuit failed to consider this important precedent, review of the Federal Circuit's ruling is appropriate.

The Federal Circuit's ruling was based on two fundamental errors. First, the court incorrectly suggested that IR had, on appeal, retrospectively labeled its post-judgment motion as a motion under Rule 59(e). (Pet. App. 7a & n.2.) In fact, IR's notice of motion filed in the district court within ten days of the entry of judgment (as required by Rule 59(e)) expressly stated that IR was bringing the motion pursuant to Rule 59(e). IR also expressly stated in briefing filed in support of the motion that IR was seeking to have the judgment amended under Rule 59(e). Thus, the Federal Circuit was just plain wrong in stating that IR's motion was not characterized as a Rule 59(e) motion at the time it was pending in the district court.[11]

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[11] Tellingly, SGS-Thomson never argued to the Federal Circuit that IR somehow failed to characterize its motion as a Rule 59(e) in the district court. Undoubtedly this is because the parties briefed to the district court the significance of the fact that IR *had*, in fact, brought its motion as a Rule 59(e) motion.

The second significant error in the Federal Circuit's ruling stemmed from the court's misapprehension of the relief sought by IR's motion. The Federal Circuit treated IR's motion as if it were seeking *only* attorneys' fees and expenses, and thus categorized it as a motion within the exception to Rule 4(a)(4) created by this Court in *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196 (1988), and *White v. New Hampshire Dep't of Employment Security*, 455 U.S. 445 (1982).[12]

In fact, IR's motion sought to have the case declared an "exceptional case" under 35 U.S.C. § 285, as well as seeking an award of attorneys' fees and expenses. The additional relief is significant. In both *Budinich* and *White*, the prevailing party's right to an award of attorneys' fees was all but automatic under the statutes governing the claims in those cases; only the amount of the award was at issue. *See also Buchanan v. Stanships, Inc.*, 485 U.S. 265 (1988) (application for costs is not a Rule 59(e) motion where costs are awarded as a matter of course to the prevailing party under Rule 54(d)).

The "exceptional case" determination sought by IR's motion, on the other hand, is fundamentally different. As explained by the Seventh Circuit, a motion seeking an "exceptional case" determination under the trademark

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[12] In *Budinich*, the Court adopted a "bright line rule . . . that a decision on the merits is a 'final decision' for purposes of [28 U.S.C.] § 1291 whether or not there remains for adjudication a request for attorneys' fees . . . . " 486 U.S. at 202-03; *see White*, 455 U.S. at 451-52 (noting that attorneys' fees motions "generally" are not considered Rule 59(e) motions).

laws (like the patent laws) requires the trial court to reexamine the basis of the judgment and thus "leads inescapably to the conclusion that [such] a post judgment motion for attorneys' fees is a motion to alter or amend the judgment" under Rule 59(e). *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652, 658 (7th Cir. 1981).[13]

The Federal Circuit dismissed the Seventh Circuit's decision out-of-hand as having "little precedential value" because it pre-dates *Budinich* and *White*. (Pet. App. 8a.) What the Federal Circuit failed to appreciate, however, is that the Seventh Circuit's decision in *Hairline* foreshadowed this Court's decision in *Osterneck* with remarkable accuracy. The decisions in both *Hairline* and *Osterneck* turned on the fact that the motions required the district court to reexamine the basis of the judgment in deciding whether to grant the motions.[14]

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[13] The applicable language of the trademark laws is the same as Section 285 of the Patent Act.

[14] In *Osterneck*, a federal securities law case, this Court held that a motion for a discretionary award of prejudgment interest is a Rule 59(e) motion. Central to the Court's holding was that such a motion requires the district court to consider many factors in exercising its discretion, including whether the award is necessary to compensate the prevailing party fully for his injuries, "the degree of personal wrongdoing" on the part of the losing party, and other "fundamental considerations of fairness." 489 U.S. at 176. "These considerations," said the Court, "are intertwined in a significant way with the merits of plaintiff's primary case as well as the extent of his damages. Thus, we conclude that a postjudgment motion for discretionary prejudgment interest involves the kind of reconsideration of matters encompassed within the merits of a judgment to which Rule 59(e) was intended to apply." *Id.*

As noted, this analysis is strikingly similar to the analysis required of the district judge in deciding to grant IR's motion to

If anything, the precedential significance of *Hairline* has increased, not diminished, with this Court's subsequent decisions. But whether or not the Seventh Circuit's opinion in *Hairline* is of precedential value, the "general framework" established by this Court in *Osterneck* is binding precedent. That framework should have been – but was not – considered and applied by the Federal Circuit when ruling on the nature of IR's post-judgment motion under Rule 59(e).

Rule 4(a)(4) has since been amended to give effect to notices of appeal filed before disposition of a Rule 59(e) motion. That amendment does not, however, correct the Federal Circuit's error in failing to apply the former Rule 4(a)(4), as interpreted by this Court, to the notice of appeal giving rise to the Federal Circuit's ruling.[15] Nor do the policy considerations favoring retroactive application in certain cases apply here, as IR questioned the Federal Circuit's appellate jurisdiction from the outset – *before* the amendments took effect in December 1993 and during a time when SGS-Thomson could have corrected the jurisdictional defect by filing a new notice of appeal.

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have the case declared an exceptional case. *See* Pet. App. 87a-104a; *Hairline*, 664 F.2d at 658.

[15] Some courts have applied the amendment to Rule 4(a)(4) retroactively to salvage appeals that otherwise should be dismissed, following the Court's directive that the December 1993 amendments to the Federal Rules of Appellate Procedure, in general, be applied to appellate cases pending at the time of the amendment "insofar as just and practicable." *E.g.*, *Burt v. Ware*, 14 F.3d 256 (5th Cir. 1994) (appeal by *pro se* prisoner in civil rights case); *Wallis v. J.R. Simplot Co.*, 26 F.3d 885 (9th Cir. 1994) (question over appellate jurisdiction did not arise until shortly before oral argument, after the principal briefs had been filed).

SGS-Thomson opted instead to stand on its premature notice of appeal, knowing full well of IR's jurisdictional objection and the concomitant risks.

CONCLUSION

For the foregoing reasons, IR respectfully submits that if SGS-Thomson's petition for a writ of certiorari is granted to determine whether the Federal Circuit correctly found that any district court venue error was harmless, this cross-petition should likewise be granted to determine whether the district court truly erred at all. In all events, this Court should review whether the Federal Circuit had jurisdiction to question the district courts' judgment and orders.

October 11, 1994

Respectfully submitted,

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APPENDIX

APPENDIX

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

SGS-THOMSON MICROELECTRONICS, INC., Plaintiff, vs. INTERNATIONAL RECTIFIER CORPORATION, Defendant.	)	Civil Action No. CA-4-91 408A

COMPLAINT AND JURY DEMAND

Plaintiff, SGS-Thomson Microelectronics, Inc., by its attorneys and for its complaint against Defendant, International Rectifier Corporation, alleges as follows:

Parties

1. Plaintiff, SGS-Thomson Microelectronics, Inc. ("SGS-Thomson"), is a corporation of the State of Delaware having a principal place of business at 1310 Electronics Drive, Carrollton, Texas 75006.

2. Defendant, International Rectifier Corporation ("IR"), upon information and belief, is a Delaware corporation having a principal place of business at 247 Kansas Street, El Segundo, California 90245. Summons may be delivered to the Secretary of State of the State of Texas as IR's agent for service of process.

Jurisdiction and Venue

3. This is an action for violation of the patent laws of the United States (Title 35, United States Code), and therefore, jurisdiction is proper in this Court under 28 U.S.C. § 1338(a).

4. Plaintiff has reason to believe and accordingly alleges that Defendant has committed acts of patent infringement in this District or has induced acts of patent infringement which have occurred in this District. Upon information and belief, Defendant has done business within this District, and directly or through an agent has transacted business within this District, has contracted to supply things in this District, and has engaged in a cause of conduct or has derived revenue from within this District by its infringing activities.

5. Venue lies in this Court under 28 U.S.C. §§ 1400(b) and 1391(c).

Patent At Issue

6. On November 19, 1985, U.S. Patent No. 4,553,314 (the " '314 patent") entitled "Method for Making a Semiconductor Device" was duly and legally issued to Plaintiff's predecessor in interest, Mostek Corporation.

7. The '314 patent is valid and in full force and effect.

Patent Infringement Count

8. This is an action for patent infringement under 35 U.S.C. §§ 271 et seq.

9. On November 13, 1985, Mostek Corporation sold to Thomson Semiconductors, Inc. all right, title and interest in and to all Mostek Corporation patents including the '314 patent. On January 27, 1986, Thomson Semiconductors, Inc. changed its name to Thomson Components-Mostek Corporation. On November 15, 1987, Thomson Components-Mostek Corporation changed its name to SGS-Thomson Microelectronics, Inc. On December 31, 1987, a merger became effective between SGS Semiconductor Corporation, Thomson Holdings, Inc. and SGS-Thomson Microelectronics, Inc. The surviving corporation was SGS-Semiconductor Corporation, whose name was changed, pursuant to the Certificate of Merger, to SGS-Thomson Microelectronics, Inc., a Delaware corporation, and is the Plaintiff named in this Complaint. By virtue of acquiring the assets of Mostek Corporation, SGS-Thomson is owner of all right, title and interest in and to the '314 patent.

10. Upon information and belief, IR, without authorization or consent from Plaintiff, has been and still is infringing the '314 patent by making, using or selling in this District and elsewhere integrated circuit devices made by one or more processes that are covered by one or more claims of the '314 patent. More particularly and by way of example, IR's Insulated Gate Bipolar Transistor (IGBT) device (Type IRGBC20) is made by a process which infringes the '314 patent.

11. IR's infringement of the '314 patent has caused injury to SGS-Thomson and will continue to cause irreparable injury to SGS-Thomson until IR is preliminarily and permanently enjoined by this Court.

12. IR's infringing activities have been willful, deliberate and with full knowledge of the '314 patent.

WHEREFORE, Plaintiff, SGS-Thomson, prays for the following:

A. Judgment that IR has infringed Plaintiff's '314 patent;

B. A preliminary and permanent injunction against IR, its officers, directors, employees, agents, and all persons acting in concert with any of them, enjoining them from any further acts of infringement of Plaintiff's aforementioned patent;

C. An accounting to determine damages sustained by Plaintiff as a result of IR's acts of infringement;

D. An assessment of interest and costs in this action.

E. This Court find that IR's acts of infringement were committed intentionally, with knowledge of the '314 patent in a willful manner warranting assessment of increased damages pursuant to 35 U.S.C. § 284, and order an increase of the damages up to three times the amount found.

F. This Court find this to be an exceptional case under 35 U.S.C. § 285 and accordingly award Plaintiff its reasonable attorneys' fees for this suit.

G. Such further relief which this Court deems just and proper.

JURY DEMAND

Plaintiff hereby demands trial by jury.

Respectfully submitted,

SGS-THOMSON
MICROELECTRONICS, INC.

By: /s/

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United States Court of Appeal for the Federal Circuit

September 14, 1994

SUPPLEMENT TO CONCURRING OPINION

Appeal No. 93-1386, *SGS-Thomson v. International Rectifier*

Decided: July 14, 1994 Nonprecedential opinion

Please add the following to the end of the concurring opinion: – Following release of the opinions in this case, National Semiconductor moved the court under Fed. Cir. R. 47.6(c) to reissue the opinions as a precedential disposition. The panel unanimously denied the motion, but the panel issued over my objection an errata sheet amending Part I of the majority opinion. Prior to amendment, the sentence in the opinion bridging pages 3-4 stated the principle that, under 35 U.S.C. § 271(g), the sale of a product made using a patented process is an act of infringement. This was in reference to the accused product made in the United States. Consistent with the statute, the opinion made no distinction between a product made within or without the United States.

The amendment to the opinion changed the statutory authority for that proposition from § 271(g) to § 271(a). With the amendment, the sentence now relies on 35 U.S.C. § 271(a) for the assertion that the sale of a product made in the United States by a patented process is an act of infringement. The clear implication is that § 271(g) does not mean what it says. I believe that is not correct, and, though recognizing that the opinion cannot be cited as authority, nevertheless feel that we should not leave the bar with that impression.

35 U.S.C. § 271(a) makes the act of making, using or selling *a patented invention* an act of infringement. Under this provision, the use of a patented process to make a product is infringement, but the sale of a product *made by a patented process* in itself is not. *See, e.g., United States v. Sudiengesellschaft Kohle m.b.H.*, 670 F.2d, 1122, 1127-28, 212 USPQ 889, 895 (D.C. Cir. 1981). Indeed, this gap in coverage was the reason why Congress enacted 35 U.S.C. § 271(g) in the first place. H. Rep. No. 100-60, 100th Cong., 1st Sess., at 5 (1987).

The language of 35 U.S.C. § 271(g) specifically covers the situation involved in this case. According to that language, it is an act of infringement to import *or* sell *or* use in the United States a product made by a patented process.[1] When "the language of the statute is clear and fits the case, the plain meaning of the statute will be regarded as conclusive." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 16 USPQ2d 1614, 1618 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991).

This conclusion is fully supported by the legislative history of 35 U.S.C. § 271(g). In 1983-1984, when Congress first considered expanding the scope of process patent protection, several of the bills submitted in relation to this issue were limited to a product "made in another

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[1] 35 U.S.C. § 271(g) provides:
Whoever without authority imports into the United States or sells or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, sale, or use of the product occurs during the term of such process patent. (Emphasis added)

country." *E.g.*, S. 1535, 98th Cong., 1st Sess. § 1 (1983) (bill submitted by Senators Mathias, Dole, and DeConcini, June 23, 1983); H.R. 6286, 98th Cong., 2d Sess. § 101(a) (1984) (bill introduced by Mr. Kastenmeier et al., September 20, 1984).

Congress' initial focus was clearly on products made abroad by a patented process. However, Congress later broadened its focus to include products made in the United States, in order to avoid any appearance of discrimination against foreign manufacturers. S. Rep. No. 98-663, 98th Cong., 2d Sess., at 5 (1984). As the Senate Report accompanying the revised S. 1535 stated: "The coverage of the original version of S. 1535 extended only to products made in another country and subsequently imported into the United States. The language adopted by the Committee is broader, covering products made by the patented process either in the United States or abroad." *Id.*; *see also* H.R. Rep. No. 99-807, 99th Cong., 2d Sess., at 11 (1986) ("These [revised] bills do not distinguish between products made using a patented process within the United States and those made outside the United States.").

Thus, the bills were either amended or reintroduced to eliminate the limitation. The change was carried over into the statute as it was enacted. There can be little question that the panel opinion was correct when it initially cited § 271(g) as authority for the proposition stated; the change was unnecessary and possibly confusing. —